

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 SP-02 USIA-06 AID-05 EB-07  
NSC-05 EPG-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01  
CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02  
OPIC-03 LAB-04 SIL-01 L-03 H-01 PA-01 PRS-01  
/094 W

-----004504 300824Z /10

R 291438Z JUN 77

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 0962

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY ELGRADE

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

/AMEMBASSY HELSINKI 2571

AMEMBASSY LISBON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY REYKJAVIK

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY VIENNA

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USEEC

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USOECD

E.O. 11652: N/A

TAGS: EFIN, SW

SUBJECT: LITTLE LIKELIHOOD OF SWEDISH DEVALUATION THIS  
SUMMER DESPITE RUMORS TO CONTRARY

REFS: A) STOCKHOLM 1545, B) STOCKHOLM 2344

1. POSSIBLE DEVALUATION OF SWEDISH KRONA CONTINUES TO BE WIDELY DISCUSSED IN STOCKHOLM. DURING LONG MID-SUMMER HOLIDAY, WHEN SWEDISH BANKS WERE CLOSED, KRONA FELL TO 4.45 AGAINST THE DOLLAR AS OF EARLY MONDAY, JUNE 27. RATE ON JUNE 29 WAS 4.40 TO THE DOLLAR.

2. CHASE MANHATTAN REP IN STOCKHOLM TOLD EMBOFF THAT IN RECENT SURVEY OF MAJOR SWEDISH CORPORATIONS, HE WAS UNABLE TO FIND SINGLE FIRM INTERESTED IN BORROWING ABROAD AT THIS TIME. ALL CITED PROSPECTS OF DEVALUATION AND 10 TO 15 PERCENT INCREASE IN BORROWING COSTS WHICH WOULD ENSUE AS REASON FOR RELUCTANCE TO BORROW. SAME SOURCE REPORTED THAT SEVERAL MAJOR US MULTINATIONALS, CUSTOMERS CONSIDERED BY CHASE TO BE TOP DRAWER, HAD REQUESTED CHASE ASSISTANCE IN AVERTING ACTION BY SWEDISH COMMERCIAL BANKS TO LIMIT OR REDUCE LINES OF CREDIT. (TIGHT FINANCIAL SITUATION GENERALLY GIVEN AS REASON BY SWEDISH BANKS.) CHASE REP ADMITTED TO EMBOFF THAT AT LEAST SOME OF THE US FIRMS IN QUESTION WERE MAKING AN EFFORT TO GET PROFITS OUT OF SWEDEN BEFORE A DEVALUATION. SOURCE CONTINUED TQT ALL OF HIS ACQUAINTANCES IN BANKING AND INDUSTRY WERE CONVINCED A DEVALUATION OF THE KRONA WOULD TAKE PLACE BEFORE SEPTEMBER 1. LIMITED OFFICIAL USE

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3. DESPITE VARIOUS RUMORS, EMBASSY REMAINS CONVINCED THAT SWEDISH GOVERNMENT WILL NOT BE WILLING TO COUNTENANCE DEVALUATION BEFORE FALL AT VERY EARLIEST, AND IS CERTAIN NOT TO TAKE ACTION WITHOUT APPROVAL OF OTHER NORDICS. COMMITMENT TO SNAKE AS A NECESSARY VEHICLE FOR EUROPEAN ECONOMIC COOPERATION REMAINS UNCHANGED SO SWEDEN IS ALSO VERY UNLIKELY TO ALLOW KRONA TO FLOAT, DESPITE ADVICE OF SUCH EXPERTS AS MILTON FRIEDMAN.

4. WE ALSO BELIEVE THAT DEVALUATION BEFORE FALL WOULD BE ADMISSION THAT APRIL DEVALUATION WAS TOO LITTLE, AN ADMISSION WHICH COALITION GOVERNMENT IS NOT LIKELY TO MAKE. FURTHERMORE, GOVERNMENT CAN POINT TO SOME IMPROVEMENT IN TRADE FIGURES, EVEN THOUGH IT HAS NOT REALLY SUGGESTED THAT MUCH IMPROVEMENT FROM APRIL DEVALUATION (AND ACCOMPANYING DEMAND CONTROL MEASURES) CAN BE EXPECTED BEFORE 1978. JANUARY THROUGH MAY CUMULATIVE TRADE DEFICIT WAS ONLY SK 1.7 BILLION, AS OPPOSED TO A JANUARY THROUGH MARCH FIGURE OF SK 1.5 BILLION. (GOVERNMENT FORECAST FOR 1977: DEFICIT

OF SK 3.6 BILLION.)

5. IN ADDITION TO MORE FAVORABLE RECENT TRADE FIGURES, WE NOTE THAT OFFICIAL RESERVES TOPPED 15 BILLION IN MAY. TO BEST OF OUR KNOWLEDGE SOME \$500 MILLION OF OFFICIAL SWEDISH BORROWING ABROAD (TOTALLING OVER \$1.2 BILLION) HAS NOT YET BEEN ADDED TO OFFICIAL RESERVE FIGURES. WITH THESE RESERVES, GOVERNMENT SHOULD BE ABLE TO WITHSTAND SPECULATIVE MOVEMENTS WHICH ARE ALMOST CERTAIN TO RESULT FROM CURRENT ATMOSPHERE OF RUMOR AND UNREST.

6. NONE OF THE ABOVE SHOULD BE TAKEN TO INDICATE THAT THE SWEDES WOULD OPPOSE A MOVE BY THE GERMANS LIMITED OFFICIAL USE

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TO REVALUE MARK UPWARDS WITHIN THE SNAKE, SHOULD SUCH AN UNLIKELY EVENT OCCUR. WE DO NOT, HOWEVER, ANTICIPATE INTENSE PRESSURE BY THE SWEDES TO CONVINCE GERMANS TO MOVE. AS ALWAYS, FINAL UNCERTAINTY IN THIS PICTURE REMAINS SIZE OF SPECULATIVE MOVEMENTS WHICH MAY TAKE PLACE. SHOULD SPECULATION, COMBINED WITH SUDDEN REFUSAL OF PRIVATE SWEDES TO BORROW FURTHER ABROAD, RESULT IN SIGNIFICANT REDUCTIONS OF RESERVES SWEDES WOULD, OF COURSE, BE FORCED TO ACT. AT PRESENT WE REMAIN CONVINCED SPECULATION WILL BE CONTROLLABLE, AND THAT STRENGTH OF SWEDISH POSITION WILL BE MAINTAINED FOR THREE TO FOUR MONTHS PERIOD AT LEAST. PERRY

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## Message Attributes

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**Channel Indicators:** n/a  
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**Disposition Date:** 22 May 2009  
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**Disposition History:** n/a  
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**Reference:** 77 STOCKHOLM 1545, 77 STOCKHOLM 2344  
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**TAGS:** EFIN, SW  
**To:** STATE USOECD  
**Type:** TE  
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